

Medicare Part B Premiums: New Rules For Beneficiaries With Higher Incomes

2006



A new law is changing how Medicare Part B premiums are calculated for some higher income beneficiaries. The majority of Medicare beneficiaries will **not** be affected. Part B (medical insurance) helps pay for doctors' services and outpatient care. It also covers other medical services, such as physical and occupational therapy, and some home health care. Currently, the government pays a substantial portion—75 percent—of the Part B standard premium and the beneficiary pays the remaining 25 percent.

In 2007, the government portion will be reduced for higher income beneficiaries who will begin paying a larger percentage of the premium. During this first year, higher income beneficiaries will be responsible for only one-third of the income-related adjustment. By 2009, the end of the transition period, these higher income beneficiaries will pay a monthly premium equal to 35, 50, 65, or 80 percent of the total cost, depending on their income level.

However, the law is expected to affect about 4 percent of Medicare beneficiaries, **so most people will continue to pay the standard premium**, without an income-related adjustment.

How will I know if I must pay more?

To determine if you will pay a higher Part B premium, the Internal Revenue Service (IRS) will send Social Security information from your most recent tax return. We will use a sliding scale to make adjustments to premiums. The sliding scale will be based on your modified adjusted gross income (MAGI). Your MAGI is a combination of your adjusted gross (taxable) income and tax exempt interest income.

In 2007, if you file your taxes as "married, filing jointly" and your MAGI is more than \$160,000, you will pay a higher Part B premium. For all other taxpayer filing statuses, if your MAGI is more than \$80,000, you will pay a higher Part B premium.

Monthly Part B Premiums for 2007

	Income-related monthly adjustment amount	Total monthly premium amount
Most Medicare Beneficiaries Individuals with a MAGI of \$80,000 or less Married couples with a MAGI of \$160,000 or less	\$0.00	\$93.50 Standard Premium
Individuals with a MAGI above \$80,000 up to \$100,000 Married couples with a MAGI above \$160,000 up to \$200,000	\$12.30	\$105.80
Individuals with a MAGI above \$100,000 up to \$150,000 Married couples with a MAGI above \$200,000 up to \$300,000	\$30.90	\$124.40
Individuals with a MAGI above \$150,000 up to \$200,000 Married couples with a MAGI above \$300,000 up to \$400,000	\$49.40	\$142.90
Individuals with a MAGI above \$200,000 Married couples with a MAGI above \$400,000	\$67.90	\$161.40

If you are married and lived with your spouse at some time during the taxable year, but filed a separate tax return, the following chart will apply:

	Income-related monthly adjustment amount	Total monthly premium amount
Most Medicare Beneficiaries Individuals with a MAGI of \$80,000 or less	\$0.00	\$93.50
Individuals with a MAGI above \$80,000 up to \$120,000	\$49.40	\$142.90
Individuals with a MAGI above \$120,000	\$67.90	\$161.40

After getting the IRS data, if we determine you will need to pay a larger percent of the premium, we will send you a letter explaining how we made this determination and what your new premium will be. However, it is important to remember that ***if your income does not exceed the limits described above, this law does not apply to you.***

Which tax return will you use?

To determine your 2007 Part B premium, we will use the most recent tax return information provided by IRS. Generally, this information is from a tax return filed in 2006 (for tax year 2005). Sometimes, IRS can only provide information from a return filed in 2005 (for tax year 2004). If we use tax year 2004 data and you filed a return for tax year 2005, call us or visit any office with a signed copy of the more recent return. We will update our records.

If you amended your tax return and it changes the income we count, let us know. Send Social Security a copy of the amended tax return that you filed and your acknowledgment receipt from IRS. We will update our records with the information you provide, and correct your Part B premiums back to the earliest time in the year you had Part B.

What if my income has gone down?

If your income has gone down due to any of the following circumstances and the change will make a difference in the income level we consider, contact us to explain that you have new information and may need a new decision about your Medicare Part B premium:

- You have married, divorced or your spouse died;
- You or your spouse have stopped working or reduced your work hours;
- You or your spouse have lost income from property due to a disaster or other event beyond your control; or
- Your or your spouse's benefits from an insured pension plan stopped or went down.

If any of these events happen, you will need to show us evidence of the event and tell us how it has reduced your income. Evidence could be a death certificate, a letter from your employer about your retirement, or something similar. If you filed a federal income tax return for the year in question, you will need to show us your signed copy of the return.

What if I disagree?

If you disagree with the decision regarding your Medicare Part B premium amount, you have the right to appeal. You may request an appeal in writing by completing a "*Request for Reconsideration*" (Form SSA-561-U2) or you may contact your local Social Security office to file your appeal. You can find the appeal form online at www.socialsecurity.gov/online/ssa-561.html or request a copy through our toll-free number listed below.

You do not need to file an appeal if you are requesting a new decision because of an event listed previously that made your income go down or if you have shown us the information we used is wrong.

Contacting Social Security

For more information, visit our website at www.socialsecurity.gov or call toll-free, **1-800-772-1213** (TTY **1-800-325-0778**).

To learn more about Medicare Part B coverage, visit www.medicare.gov or call **1-800-MEDICARE** (**1-800-633-4227**) (TTY **1-877-486-2048**).